

**Rowan Companies plc**  
**Annual Report and Financial Statements**  
**Registered number 07805263**  
**31 December 2012**

Rowan Companies plc (“Rowan”) is subject to disclosure regimes in the U.S. and U.K. While some of the disclosure requirements in these jurisdictions overlap or are otherwise similar, some differ and require distinct disclosures. Pursuant to English law requirements, this document sets out our Rowan Annual Report and financial statements. The contents of this document also form part of the statutory Annual Accounts and Reports of Rowan for the year ended December 31, 2012, as required by English law.



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## **DIRECTORS' REPORT**

The directors of Rowan Companies plc present their Annual Report and financial statements for the year ended 31 December 2012.

### **Principal activity**

Rowan Companies plc (formerly Rowan Companies Limited) is a public limited company incorporated on 11 October 2011 under the laws of England and Wales (the "company"). Effective May 4, 2012, the company became the successor issuer to Rowan Companies, Inc. pursuant to an agreement and plan of merger and reorganization (the "redomestication") approved by the stockholders of Rowan Companies, Inc. on April 16, 2012. As a result of the redomestication, Rowan Companies, Inc. became an indirect subsidiary of the company, and the company became a public limited company and the parent of the group of companies previously headed by Rowan Companies, Inc. The company's activity is expected to remain unchanged for the coming year. The company is listed on the New York Stock Exchange.

Rowan Companies plc, together with its subsidiaries (the "group"), is a major provider of offshore oil and gas contract drilling services internationally and provides its services utilizing a fleet of 31 self-elevating mobile offshore "jack-up" drilling units. The company has no operating or significant assets other than its investments in its consolidated subsidiaries. The group's primary focus is on high-specification and premium jack-up rigs, which its customers use for exploratory and development drilling and, in certain areas, well workover operations. Additionally, the group has four ultra-deepwater drillships under construction, the first of which is scheduled for delivery in December 2013.

The group conducts offshore drilling operations in various markets throughout the world including the U.K. and Norwegian sectors of the North Sea, Middle East, Southeast Asia, United States Gulf of Mexico (US GOM), Trinidad and Egypt, among others.

### **Business review**

The profitability of the group is primarily a function of our ability to keep our rigs under contract and the operating day rates received, but is also impacted by the level of downtime while a rig is under contract. The group typically receives a reduced day rate or no day rate during periods of downtime. Our ability to obtain contracts for our rigs and the day rates received are primarily determined by the level of oil and gas exploration and development expenditures, which are heavily influenced by trends in oil and natural gas prices and the availability of competitive equipment. When drilling markets are strengthening, day rates generally lag the upward trend in rig utilization, and day rate increases can be more significant as utilization approaches 90% or more. When drilling markets are weakening, contractors often reduce day rates in an effort to maintain utilization. Both rig utilization and day rates have historically declined much faster than they have risen. The group's average utilization and day rates by rig classification are presented below:

	2012	2011
<b>Utilization:</b> <sup>(1)</sup>		
High-specification jack-up <sup>(2)</sup>	91%	83%
Premium jack-up <sup>(3)</sup>	63%	49%
Conventional jack-up	33%	28%
 <b>Average day rate:</b> <sup>(4)</sup>		
High-specification jack-up <sup>(2)</sup>	\$ 181,480	\$ 169,869
Premium jack-up <sup>(3)</sup>	\$ 94,678	\$ 78,972
Conventional jack-up	\$ 72,688	\$ 58,313

(1) Utilization is the number of revenue-producing days divided by the aggregate number of days rigs were available to work.

(2) We define high-specification jack-ups as those that have hook-load capacity of at least two million pounds.

(3) We define premium jack-ups as those cantilevered rigs capable of operating in water depths of 300 feet or more.

(4) Average day rate is computed by dividing day rate revenues by the number of revenue-producing days.

Operations of the group are subject to the following risks and uncertainties:

- drilling permit and operations delays, moratoria or suspensions, new and future regulatory, legislative or permitting requirements (including requirements related to certification and testing of blow-out preventers and other equipment or otherwise impacting operations), future lease sales, changes in laws, rules and regulations that have or may impose increased financial responsibility, additional oil spill contingency plan requirements and other governmental actions that may result in claims of *force majeure* or otherwise adversely affect our existing drilling contracts;
- governmental regulatory, legislative and permitting requirements affecting drilling operations in the areas in which our rigs operate;
- tax matters, including our effective tax rates, tax positions, changes in tax laws, treaties and regulations, tax assessments and liabilities for taxes;
- changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild drilling rigs and reactivation of rigs;
- variable levels of drilling activity and expenditures, whether as a result of global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;
- downtime, lost revenue and other risks associated with rig operations, operating hazards, or rig relocations and transportation, including rig or equipment failure, collisions, damage and other unplanned repairs, the limited availability of transport vessels, hazards, self-imposed drilling limitations and other delays due to weather conditions or otherwise, and the limited availability or high cost of insurance coverage for certain offshore perils or associated removal of wreckage or debris;
- access to spare parts, equipment and personnel to maintain, upgrade and service our fleet;
- possible cancellation or suspension of drilling contracts as a result of mechanical difficulties, delays, performance or other reasons;

- potential cost overruns and other risks inherent to shipyard rig construction, repair or enhancement, unexpected delays in rig and equipment delivery and engineering or design issues following shipyard delivery, or delays in the dates our rigs will enter a shipyard, be transported and delivered, enter service or return to service;
- actual contract commencement dates; contract terminations, contract extensions, contract option exercises, contract revenues, contract awards; the termination or renegotiation of contracts by customers or payment or operational delays by our customers;
- operating hazards, including environmental or other liabilities, risks, expenses or losses, whether related to storm or hurricane damage, losses or liabilities (including wreckage or debris removal), collisions, or otherwise;
- our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to competition from other contract drillers, labor regulations or otherwise;
- governmental action and political and economic uncertainties, including uncertainty or instability resulting from civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas of the Middle East or other geographic areas, which may result in extended business interruptions, suspended operations, or result in claims by our customers of a *force majeure* situation and payment disputes;
- terrorism, piracy, political instability, hostilities, nationalization, expropriation, confiscation or deprivation of our assets or military action impacting our operations, assets or financial performance in our areas of operations, including the Middle East;
- the outcome of legal proceedings, or other claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, any purported renegotiation, nullification, cancellation or breach of contracts with customers or other parties and any failure to negotiate or complete definitive contracts following announcements of receipt of letters of intent;
- potential long-lived asset impairments;
- costs and uncertainties associated with our redomestication, or changes in foreign or domestic laws that could reduce or eliminate the anticipated benefits of the transaction;
- impacts of any global financial or economic downturn;
- effects of accounting changes and adoption of accounting policies;
- potential unplanned expenditures and funding requirements, including investments in pension plans and other benefit plans; and
- other important factors described from time to time in the reports filed by us with the Securities and Exchange Commission (the Commission), and the New York Stock Exchange (NYSE).

Reference should be made to Item 1A, “Risk Factors,” on pages 9 through 20 of the company’s 2012 Annual Report on Form 10-K included herein for a complete discussion of risk factors.

### ***Current Operations and Markets***

Worldwide rig demand is inherently volatile and has historically varied among geographic markets, as has the supply of competitive equipment. Exploration and development expenditures can be impacted by many local factors, such as political and regulatory policies, seasonal weather patterns, lease expirations, new oil and gas discoveries and reservoir depletion. Over time, the level and expected direction of oil and natural gas prices are the principal determinants of drilling activity, and oil and gas prices are ultimately a function of the supply of and demand for those commodities.

Our primary drilling markets are currently the U.K. and Norwegian sectors of the North Sea, Southeast Asia, Middle East and US GOM. We also have rigs operating in Trinidad and Egypt. As demand shifts among geographic areas, the group may from time to time relocate rigs from one major geographic area to another. During 2011 and 2012, we completed the following major strategic repositionings:

	<u>From</u>	<u>To</u>
<b>2011:</b>		
<i>Rowan Mississippi</i>	US GOM	Middle East
<i>Rowan Gorilla II</i>	US GOM	Malaysia
<i>Rowan Gorilla III</i>	US GOM	Trinidad
<i>J.P. Bussell</i>	Egypt	Vietnam
<b>2012:</b>		
<i>Ralph Coffman</i>	US GOM	Egypt
<i>Rowan EXL I</i>	US GOM	Indonesia
<i>Rowan EXL IV</i>	US GOM	Malaysia

The relocation of rigs is a significant undertaking, and often interrupts revenues and cash flows for several months, particularly when equipment upgrades are involved. Thus, major relocations are typically carried out only when the likelihood of higher long-term returns outweighs the short-term costs.

The North Sea is a mature, harsh-environment offshore drilling market that has long been dominated by major oil and gas companies operating within a relatively tight regulatory environment. Project lead times are often lengthy, and drilling assignments, which typically require ultra-premium equipment capable of handling extreme weather conditions and high down-hole pressures and temperatures, can range from several months to several years. Drilling activity and day rates in the North Sea move slowly in response to market conditions, and generally follow trends in oil prices. As of February 21, 2013, industry utilization for jack-up rigs in the North Sea was 95%, and we had six rigs in the U.K. and Norwegian sectors with expected contract completion dates ranging from 2013 through 2017.

The Middle East is a market in which we have had a stable presence in recent years. As of February 21, 2013, industry utilization in the Middle East for jack-up rigs was 85%, and we had eight rigs under contract in Saudi Arabia, two rigs under contract in Qatar and one stacked rig in Sharjah, United Arab Emirates. Eight of our ten rigs working in the Middle East have contracts estimated to complete in 2014, one has a contract estimated complete in 2015 and the other has a contract estimated to complete in 2016.

The US GOM jack-up drilling market is highly fragmented among many participants, many of which are independent operators whose drilling activities may be highly dependent on near-term operating cash flows. A typical drilling assignment may call for 60 days of exploration or development work performed under a single-well contract with negotiable renewal options. Long-term contracts for jack-up rigs have been relatively rare, and generally are available only from the major integrated oil companies and a few of the larger independent operators. Jack-up drilling demand and day rates in the US GOM have tended to move quickly and generally follow trends in natural gas prices. Demand in the shallow waters of the US GOM has been relatively weak over the last few years as a result of large supplies of natural gas and relatively low prices. As of February 21, 2013, industry utilization for jack-up rigs in the US GOM was 58%, and we had seven rigs there – four under contracts estimated to complete in 2013, one estimated to complete in 2014 and two that were stacked.

In late 2011, we reentered the Southeast Asia market after a long absence and currently have four rigs working there – three in Malaysia (including the *J.P. Bussell*, which worked in Vietnam for most of 2012 prior to relocating to Malaysia in late 2012) and one in Indonesia. We see increasing opportunities in Southeast Asia due to a strong regional economy, a growing emphasis on higher specification rigs and strong interest in contractors with high-pressure/high-temperature well experience. Industry utilization for jack-up rigs in Southeast Asia was 86% at February 21, 2013. Three of our rigs there have contracts estimated to complete in 2013 and one has a contract estimated to complete in 2014.

With respect to the company on a stand-alone basis, we do not expect there to be any change regarding future developments of its business.

**Key Performance Measures**

The following table presents certain key performance measures for our fleet:

	2012	2011
<b>Revenues (in thousands):</b>		
Northern Europe	\$ 491,459	\$ 298,027
Middle East <sup>(1)</sup>	400,359	263,589
U.S. Gulf of Mexico	206,348	260,405
Southeast Asia	135,943	16,560
Other international	122,159	89,364
Subtotal - Day rate revenues	<u>1,356,268</u>	<u>927,945</u>
Other revenues <sup>(2)</sup>	36,339	11,284
Total	<u>\$ 1,392,607</u>	<u>\$ 939,229</u>
<b>Revenue producing days:</b>		
Northern Europe	2,074	1,424
Middle East <sup>(1)</sup>	3,010	2,048
U.S. Gulf of Mexico	1,706	2,227
Southeast Asia	994	136
Other international	893	696
Total	<u>8,677</u>	<u>6,531</u>
<b>Average day rate: <sup>(3)</sup></b>		
Northern Europe	\$236,962	\$209,289
Middle East <sup>(1)</sup>	\$133,010	\$128,706
U.S. Gulf of Mexico	\$120,954	\$116,931
Southeast Asia	\$136,764	\$121,765
Other international	\$136,796	\$128,397
Total	\$156,306	\$142,083
<b>Utilization: <sup>(4)</sup></b>		
Northern Europe	94%	94%
Middle East <sup>(1)</sup>	75%	53%
U.S. Gulf of Mexico	59%	71%
Southeast Asia	79%	0%
Other international	94%	59%
Total	77%	66%

(1) Our rigs operating in the Middle East are located in Saudi Arabia and Qatar. We also have a rig operating in Egypt, which is included in "other international."

(2) Other revenues, which are primarily revenues received for contract reimbursable costs, are excluded from the computation of average day rate.

(3) Average day rate is computed by dividing day rate revenues by the number of revenue-producing days.

(4) Utilization is the number of revenue-producing days divided by the aggregate number of days rigs were available to work.

**2012 Compared to 2011**

Our operating results for the years ended December 31, 2012 and 2011 are highlighted below (dollars in millions):

	2012		2011	
	Amount	% of Revenues	Amount	% of Revenues
Revenues	\$ 1,392.6	100%	\$ 939.2	100%
Operating costs (excluding items below)	(752.2)	-54%	(508.1)	-54%
Depreciation expense	(247.9)	-18%	(183.9)	-20%
Selling, general and administrative expenses	(99.7)	-7%	(88.2)	-9%
Net gain (loss) on property disposals	2.5	0%	1.6	0%
Material charges and other operating expenses	(40.2)	-3%	(11.0)	-1%
Operating income	<u>\$ 255.1</u>	<u>18%</u>	<u>\$ 149.6</u>	<u>16%</u>

Revenues for 2012 increased by \$453.4 million or 48% compared to 2011 as a result of the following (in millions):

	Increase (Decrease)
Rig additions	\$ 257.4
Higher utilization of existing rigs	127.2
Higher average day rates for existing rigs	43.8
Revenues for reimbursable costs and other, net	25.0
Net increase	<u>\$ 453.4</u>

The addition of seven newbuild rigs to the fleet in 2011 and 2012 contributed 1,198 incremental revenue-producing days in 2012 (14% of total revenue-producing days) over 2011.

Operating costs other than depreciation, selling, general and administrative expenses and material charges and other operating expenses for 2012 increased by \$244.1 million or 48% over the prior year, as a result of the following (in millions):

	Increase (Decrease)
Operating costs attributable to fleet additions	\$ 112.6
Higher operating costs of rigs previously in shipyard or in transit	63.0
Expansion of foreign shorebases	32.9
Reimbursable expenses	24.9
Other, net	10.7
Net increase	<u>\$ 244.1</u>

Our operating margin (revenues in excess of operating costs, other than depreciation, selling, general and administrative expenses and material charges and other operating expenses) was approximately 46% of revenues in both 2012 and 2011. Depreciation increased by \$64.0 million or 35% over 2011 due to the rig additions. Selling, general and administrative expenses increased by \$11.5 million or 13% primarily due to increases in personnel and related costs in connection with the expansion of operations in 2011 and 2012 and to increases in professional fees.

Material charges and other operating expenses for 2012 consisted of \$13.8 million of legal and consulting fees incurred in connection with the redomestication, \$12.0 million of repair costs for the *EXL I* following its collision with a tanker, \$8.7 million of pension settlement costs in connection with lump sum pension payments to employees of the group's former manufacturing subsidiary, \$8.1 million of noncash asset impairment charges, \$2.3 million of incremental noncash share-based compensation cost in connection with the retirement of an employee, partially offset by a \$4.7 million gain for cash received in connection with a legal settlement.

Material charges and other operating expenses for 2011 consisted of a \$6.1 million charge for the settlement of litigation in connection with the 2005 loss of the *Rowan Halifax* and a cash and noncash charge of \$4.9 million for incremental compensation cost in connection with the separation of an employee.

For 2012, we recognized an income tax benefit of \$19.8 million on \$183.5 million of pretax income from continuing operations as compared to a benefit of \$5.7 million on \$130.1 million of pretax income from continuing operations in 2011. The recognition of income tax benefits in 2012 and 2011 were due in part to the amortization of benefits related to outbidding certain rigs to our non-U.S. subsidiaries in prior years, and with respect to 2012, the implementation of tax planning strategies with regard to capitalized interest. Also impacting taxes in 2012 and 2011 were the removal of the group's manufacturing and land drilling operations, whose earnings were subject to a 35% U.S. statutory rate, and a significant proportion of income earned in lower-tax jurisdictions. We are currently projecting a 2013 effective income tax expense rate in the single digits.

### Outlook

The group's backlog by geographic area as of the date of our most recent "Monthly Fleet Status Report," compared to our backlog at 27 February 2012, is set forth below. Backlog at 21 February 2013 for the US GOM and West Africa includes \$452 million and \$226 million, respectively, for the *Rowan Renaissance*, which is currently under construction and expected to commence operations in the first quarter of 2014 following its delivery in December 2013 (in millions):

	<u>21 February 2013</u>	<u>27 February 2012</u>
Northern Europe	\$ 1,599	\$ 1,646
Middle East	790	949
U.S. Gulf of Mexico	594	109
West Africa	226	-
Southeast Asia	183	57
Other international	203	304
Total backlog	<u>\$ 3,595</u>	<u>\$ 3,065</u>

We estimate our backlog will be realized as follows (in millions):

2013	\$ 1,116
2014	1,060
2015	726
2016	574
2017	119
Total backlog	<u>\$ 3,595</u>

About 66% of our remaining available rig days in 2013 and 42% of available days in 2014 were under contract or commitment as of February 21, 2013.

Our collective shipyard, transit and inspection time declined to 12% of our available rig days in 2012 from 22% in 2011. Shipyard and transit time in 2011 was negatively impacted due to a number of strategic mobilizations of rigs between geographic areas and the start-up of six newly constructed rigs. We currently expect shipyard, transit and inspection time to consume approximately 10% of our available rig days in 2013, a slight improvement compared to 2012.

Key balance sheet amounts and ratios at 31 December were as follows (dollars in millions):

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 1,024.0	\$ 438.9
Current assets (excluding assets of discontinued operations)	\$ 1,529.6	\$ 794.1
Current liabilities (excluding liabilities of discontinued operations)	\$ 272.8	\$ 323.4
Current ratio (excluding assets and liabilities of discontinued operations)	5.61	2.46
Current maturities of long-term debt	\$ -	\$ 45.0
Long-term debt, less current maturities	\$ 2,009.6	\$ 1,089.3
Shareholders' equity	\$ 4,531.7	\$ 4,326.0
Long-term debt/total capitalization	0.31	0.20

Sources and uses of cash and cash equivalents were as follows:

	<u>2012</u>	<u>2011</u>
Net operating cash flows	\$ 393.7	\$ 94.7
Borrowings, net of issue costs	1,102.9	-
Capital expenditures	(685.2)	(1,517.7)
Debt repayments	(238.5)	(52.2)
Proceeds from asset disposals	10.5	5.7
Proceeds from equity compensation plans	0.6	19.9
Proceeds from sales of manufacturing and land drilling operations, net	-	1,555.5
Payments to acquire treasury stock	-	(125.0)
Net change in restricted cash balance	-	15.3
All other, net	1.2	5.2
Total sources (uses)	<u>\$ 585.2</u>	<u>\$ 1.4</u>

Group cash flows from operations increased to approximately \$394 million in 2012 from \$95 million in 2011. Operating cash flows for part of 2011 included those attributable to our former manufacturing and land drilling businesses, which we sold in June and September of 2011, respectively. Operating cash flows for 2012 were positively impacted by the addition of seven newbuild rigs to the fleet in 2011 and 2012.

#### **Charitable donations**

During the year ended 31 December 2012, the group made charitable contributions to approximately 76 charities totaling \$461,090.

#### **Political donations**

None.

### **Derivative financial instruments and risk exposures**

As a general practice, neither the company nor the group holds or issues derivative financial instruments.

Rowan invests its excess cash primarily in time deposits and high-quality money market accounts at several large commercial banks with strong credit ratings, and therefore believes that its risk of loss is minimal.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group is exposed to credit risk relating to its receivables from customers. The group's customers largely consist of major international oil and gas exploration companies, national oil and gas companies and independent oil and gas companies. The group routinely evaluates the credit quality of potential customers and maintains reserves for credit losses, which have been within management's expectations.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In 2012, the group issued \$1.1 billion in debt in public offerings and amended its credit agreement to, among other things, increase the borrowing capacity under the revolving credit facility from \$500 million to \$750 million. The amended credit agreement provides for an accordion feature that would permit the borrowing capacity to be increased to a maximum of \$1.0 billion, subject to the consent of the lenders. There were no amounts drawn under the revolving credit facility at 31 December 2012. Management believes that cash flows from operating activities and existing cash balances will be sufficient to satisfy the group's near-term cash requirements and that the cash flows, existing cash balances and access to the group's revolving credit facility, if required, will be sufficient to fund the group's long-term cash requirements.

Market risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability such as changes in currency exchange rates. The majority of the group's transactions are denominated in United States dollars. The group has some exposure to currency exchange fluctuations primarily in the U.K. In order to reduce the impact of exchange rate fluctuations, the group generally requires customer payments to be in U.S. dollars and generally limits non-U.S. currency holdings to the extent they are needed to pay liabilities denominated in local currencies. Fluctuating commodity prices affect the group's future earnings materially to the extent that they influence demand for the group's products and services.

### **Essential contracts**

The group has contractual and other arrangements with numerous suppliers, customers and other third parties in support of its business activities. We do not consider any individual arrangement to be essential to the business of the group.

### **Branches**

The group maintains branch operations in Bahrain, Dubai, Geneva, Norway, Qatar, Saudi Arabia and Trinidad. Executive offices of the group are located in Houston, Texas.

### **Acquisition of company shares**

In 2012, the board of directors of the company, as successor issuer to Rowan Companies, Inc., approved the continuation of its \$150 million share repurchase program, of which approximately \$25 million remained available. The company did not acquire any shares under its share repurchase program in 2012. Share repurchases may be commenced or suspended from time to time without prior notice. Any shares acquired under the share repurchase program would be canceled.

In May 2012 the company established an employee benefit trust (EBT) for purposes of administering the group's share-based compensation arrangements and contributed to the EBT 500,000 of its ordinary shares, par value \$0.125 per share, representing less than one-half of one percent of the company's outstanding shares. The EBT may be used to issue shares under such arrangements or to acquire shares from participants upon forfeiture of nonvested restricted shares or in satisfaction of tax withholding requirements. Shares held by the EBT are treated as treasury stock for accounting purposes, and are not eligible for voting or receipt of dividends. During 2012, the EBT acquired approximately 80 thousand shares as a result of restricted share forfeitures and in satisfaction of employee tax withholding requirements at a cost of approximately \$2.0 million.

## Employee matters

The group places considerable value on the involvement of employees. Accordingly, the group conducts formal and informal meetings with employees, maintains a group intranet website with matters of interest to employees, issues a quarterly publication of group activities and other matters of interest to employees, routinely sends emails to all employees on issues affecting them, and offers a variety of in-house training for all employees. Additionally, the group has an incentive award program covering a significant number of employees under which they may receive cash and/or equity compensation.

The group gives full and fair consideration to the employment of disabled persons, taking into account the degree of disability, proposed job function and working environment. In the event an employee becomes disabled, the group strives to provide continuing employment where practical and is committed to the training, career development and promotion of disabled persons.

## Environmental matters

Protection of the environment is one of the group's core values.

Pursuant to the Clean Water Act, the owner of a lease (the Operator) is required to obtain a National Pollutant Discharge Elimination Permit (NPDES permit). For drilling operations conducted in the US GOM, these permits are issued and administered by the Environmental Protection Agency (EPA). As a contract driller in the US GOM, we operate in accordance with the Operator's NPDES permit. According to the NPDES permit, the Operator is the designated Responsible Party and is thus responsible for any environmental impacts that would occur in the event of the discharge of any unpermitted substance, including a fuel spill or oil leak from an offshore installation, such as a mobile drilling unit. In addition, pursuant to the International Maritime Organization, to which the United States is a signatory, we are required to have for each of our drilling units a Shipboard Oil Pollution Emergency Plan (SOPEP), which is administered by the United States Coast Guard (USCG).

In support of compliance with these permits and regulations, our SOPEP details procedures for rapid and effective response to spill events that may occur as a result of our operations or those of the Operator. This plan is reviewed annually and updated as necessary. On-board drills are conducted periodically to maintain effectiveness of the plan and each rig is outfitted with equipment to respond to minor spills. The drills include participation of key personnel, spill response contractors and representatives of governmental agencies. For operations in the United States, our SOPEPs are subject to review and approval by various organizations including the USCG, EPA and the Bureau of Safety and Environmental Enforcement (BSEE), formerly the Bureau of Ocean Energy Management, Regulatory and Enforcement (BOEMRE), and are recertified by the American Bureau of Shipping every five years.

As the designated responsible party, the Operator has the primary responsibility for spill response, including having contractual arrangements in place with emergency spill response organizations to supplement any onboard spill response equipment. However, we also have an agreement with an emergency spill response organization should we have an incident that exceeds the scope of our on-board spill response equipment.

Our spill response provider has been in business since 1994 and specializes in helping industries prevent and clean up oil and other hydrocarbon spills throughout the Gulf Coast, with response centers in Texas and Louisiana with 24-hour response capabilities and equipment. Our provider's website states that it holds all necessary licenses, certifications and permits to respond to emergencies in the US GOM and that it has significant spill response resources to meet the needs of its customers.

We believe these resources have adequate equipment to respond to an emergency spill; however, we can provide no assurance that adequate resources will be available should multiple concurrent spills occur. Other foreign jurisdictions in which we operate may also have similar regulations and requirements.

In addition, we are actively involved in various industry-led initiatives and task forces, including the American Petroleum Institute's newly formed Center for Offshore Safety, that are engaged in various initiatives to improve safety and protect the environment.

Except as discussed above, we do not believe regulatory compliance has materially affected our capital expenditures, earnings or competitive position to date, although such measures increase drilling costs and may adversely affect drilling operations. Further regulations may reasonably be anticipated, but any effects on our drilling operations cannot be accurately predicted at this time.

In the United States, we are subject to the requirements of the Occupational Safety and Health Act of 1970 (OSHA) and comparable state statutes. OSHA requires us to provide our employees with information about the chemicals used in our operations. There are comparable requirements in other non-U.S. jurisdictions in which we operate.

In addition to the federal, state, and foreign regulations that directly affect our operations, regulations associated with the production and transportation of oil and gas affect our customers and thereby could potentially impact demand for our services.

### **Corporate social responsibility**

No information about social and community issues is included in this review.

### **Policy and practice on payment of creditors**

In light of the international nature of the group's operations, there is no specific group-wide policy in respect of payments to suppliers. Relationships with suppliers are, however, governed by the group's commitment to long-term relationships founded on trust and mutual advantage. Individual operating companies within the group are responsible for determining local practices and ensuring suppliers are aware of such practices. Trade creditors of the group at 31 December 2012 were equivalent to 18 days' purchases, based on the average daily amount invoiced by suppliers during the year.

### **Dividends**

No dividends were declared in 2012. The directors do not recommend the payment of any dividend at the present time.

### **Qualifying indemnity provisions**

The prior indemnification agreements with Rowan Companies, Inc. remain in place. These agreements provide for the company to, among other things, indemnify the individual against certain liabilities that may arise by reason of his or her status or service as a director or officer, to advance expenses incurred as a result of certain proceedings and to cover him or her under our directors' and officers' liability insurance policy. These agreements are intended to provide indemnification rights to the fullest extent permitted under U.K. and Delaware law and under our governing documents and those of Rowan Companies, Inc.

The company has made qualifying third-party indemnity provisions for the benefit of its directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. These were made during the year and remain in force at the date of this report. Further details can be found at page 40 of the proxy statement.

### **Going concern basis**

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review on pages 2 to 9. The directors have considered the use of the going concern basis in the preparation of the financial statements of the company and the group in light of the current market conditions and conclude that the use of the going concern basis is appropriate. In coming to their conclusion, the directors have considered the financial position and cash requirements of the company and the group for the period of 12 months from the date of signing of these financial statements.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Directors

The following persons were directors of the company during the year ended 31 December 2012 and up to the date of this report:

H.E. Lentz (Chairman)	(appointed May 4, 2012)
Thomas P. Burke	(resigned May 4, 2012)
Robert G. Croyle	(appointed May 4, 2012)
William T. Fox III	(appointed May 4, 2012)
Sir Graham Hearne	(appointed May 4, 2012)
Thomas R. Hix	(appointed May 4, 2012)
W. Matt Ralls	(appointed May 4, 2012)
Lord Colin Moynihan	(appointed May 4, 2012)
Suzanne P. Nimocks	(appointed May 4, 2012)
P. Dexter Peacock	(appointed May 4, 2012)
John J. Quicke	(appointed May 4, 2012)
Melanie M. Trent	(resigned May 4, 2012)
William H. Wells	(resigned May 4, 2012)

Details of the directors' remuneration and their interests in the shares of the company are set out in the directors' remuneration report in the Compensation Discussion and Analysis section of the proxy statement and as attached to the proxy statement at Annex B.

## Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## Re-appointment of the auditors

In accordance with Section 489 of the U.K. Companies Act 2006, a resolution for the re-appointment of Deloitte LLP as statutory auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

/s/ W. Matt Ralls

W. Matt Ralls  
Chief Executive Officer and Director

7 March 2013

## PARENT COMPANY FINANCIAL STATEMENTS

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) and the parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The consolidated and parent company financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROWAN COMPANIES PLC**

We have audited the financial statements of Rowan Companies plc for the year ended 31 December 2012 which comprise the Consolidated and Parent Company Balance Sheets, the Consolidated Statements of Income, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Shareholders' Equity, the Parent Company Statement of Changes in Equity, the Consolidated Statements of Cash Flows, the Parent Company Cash Flow Statement and the related notes. The consolidated financial statements to which this opinion refers are on pages 43 to 80 of the enclosed annual report on Form 10-K. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and accounting principles generally accepted in the United States of America. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditor***

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### ***Scope of the audit of financial statements***

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### ***Opinion on financial statements***

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in conformity with accounting principles generally accepted in the United States of America;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

***Opinion on other matter prescribed by the Companies Act 2006***

In our opinion:

- the part of the Directors' Remuneration Report to be audited, as shown on pages B-3 to B-7 of Annex B of the Proxy Statement, has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

/s/ David Paterson

David Paterson (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, UK  
7 March 2013

**PARENT COMPANY BALANCE SHEET**  
**At 31 December**

	Notes	<u>2012</u> \$	<u>2011</u> \$
<b>Current assets:</b>			
Cash and cash equivalents		58,628,618	21,472,119
Miscellaneous receivables		106,705	-
Prepaid expenses		293,136	-
		<u>59,028,459</u>	<u>21,472,119</u>
<b>Noncurrent assets:</b>			
Investment in subsidiary		4,325,382,067	-
<b>Total assets</b>		<u>4,384,410,526</u>	<u>21,472,119</u>
<b>Current liabilities:</b>			
Trade and other payables	10	(7,491,615)	(1,881,726)
<b>Total liabilities</b>		<u>(7,491,615)</u>	<u>(1,881,726)</u>
<b>Net assets</b>		<u>4,376,918,911</u>	<u>19,590,393</u>
<b>Equity:</b>			
Called up share capital	9	15,671,451	18,750,000
Capital contribution		4,328,483,999	3,000,000
Capital reduction reserve		3,220,699	-
Owned shares		(1,948,448)	-
Retained earnings (accumulated deficit)		31,491,210	(2,159,607)
<b>Total equity</b>		<u>4,376,918,911</u>	<u>19,590,393</u>

The financial statements of Rowan Companies plc (registered number 07805263) were approved by the Board of Directors and were authorized for issue on 7 March 2013. They were signed on its behalf by:

/s/ W. Matt Ralls

W. Matt Ralls  
Chief Executive Officer and Director

**PARENT COMPANY STATEMENT OF CHANGES IN EQUITY**

	Share capital	Capital contribution	Capital reduction reserve	Owned shares	Retained earnings (accumulate d deficit)	Total equity
	\$	\$	\$	\$	\$	\$
<b>Balance, 11 October 2011</b>	-	-	-	-	-	-
Issue of share capital and capital contribution	18,750,000	3,000,000				21,750,000
Net loss for the period	-	-	-	-	(2,159,607)	(2,159,607)
<b>Balance, 1 January 2012</b>	18,750,000	3,000,000	-	-	(2,159,607)	19,590,393
Shares cancelled in connection with redomestication	(3,220,699)	-	3,220,699	-	-	-
Class B shares issued	78,900	-	-	-	-	78,900
Premium adjustment on acquisition of subsidiary	-	4,308,899,236	-	-	-	4,308,899,236
Establish EBT	62,500	-	-	(62,500)	-	-
Recognized share-based compensation	-	16,365,869	-	-	-	16,365,869
Shares issued under share- based compensation plans	750	218,894	-	(1,885,948)	-	(1,666,304)
Net profit for the year					33,650,817	33,650,817
<b>Balance, 31 December 2012</b>	<u>15,671,451</u>	<u>4,328,483,999</u>	<u>3,220,699</u>	<u>(1,948,448)</u>	<u>31,491,210</u>	<u>4,376,918,911</u>

**PARENT COMPANY CASH FLOW STATEMENT**

	<b>Note</b>	<b>2012</b> <b>\$</b>	<b>2011</b> <b>\$</b>
		<u>                    </u>	<u>                    </u>
<b>Net cash from operating activities</b>	13	(22,996,283)	(279,189)
<b>Investing activities</b>			
Dividend income received		60,000,000	-
Interest income received		<u>73,882</u>	<u>1,308</u>
Net cash from investing activities		60,073,882	1,308
<b>Financing activities</b>			
Proceeds on issue of shares and capital contribution		<u>78,900</u>	<u>21,750,000</u>
Net cash from financing activities		<u>78,900</u>	<u>21,750,000</u>
<b>Net increase in cash and cash equivalents</b>		37,156,499	21,472,119
<b>Cash and cash equivalents at beginning of period</b>		<u>21,472,119</u>	<u>-</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>58,628,618</u></u>	<u><u>21,472,119</u></u>

## NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

### 1. General information

Rowan Companies plc (the “company”) is a public limited company incorporated in the United Kingdom under the Companies Act and listed on the New York Stock Exchange. Effective May 4, 2012, the company became the successor issuer to Rowan Companies, Inc. pursuant to an agreement and plan of merger and reorganization (the “redomestication”) approved by the stockholders of Rowan Companies, Inc. on April 16, 2012. As a result of the redomestication, Rowan Companies, Inc. became an indirect subsidiary of the company, and the company became a public limited company and the parent of the group of companies previously headed by Rowan Companies Inc. The address of the registered office is c/o CMS Cameron McKenna, Mitre House, 160 Aldersgate Street, London, United Kingdom, EC1A4DD

The company is the parent of a group of companies that provide offshore oil and gas contract drilling services internationally utilizing a fleet of 31 self-elevating mobile offshore “jack-up” drilling units. The company has no operating or significant assets other than its investments in its consolidated subsidiaries.

The group conducts offshore drilling operations in various markets throughout the world including the U.K. and Norwegian sectors of the North Sea, Middle East, Southeast Asia, United States Gulf of Mexico (US GOM), Trinidad and Egypt, among others.

These financial statements are presented in United States dollars, because that is the currency of the primary economic environment in which the company operates.

The company registration number is 07805263.

### 2. Adoption of new and revised standards

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations that have not been applied in these financial statements were in issue but not yet effective.

- IFRS 7 (amended) Disclosures – Offsetting Financial Assets and Financial Liabilities
- IFRS 9 Financial Instruments
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair Value Measurement
- IAS 1 (amended) Presentation of Items of Other Comprehensive Income
- IAS 19 (revised) Employee Benefits
- IAS 27 (revised) Separate Financial Statements
- IAS 32 (amended) Offsetting Financial Assets and Financial Liabilities

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of Rowan Companies plc in future periods.

### 3. Significant Accounting policies

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (US GAAP). The accounting policies applied in the consolidated financial statements are disclosed in the enclosed annual report on Form 10-K. The directors consider that the group accounting policy in respect of discontinued operations, under which their results are shown as a one-line item on the face of the consolidated statement of income but

which represents a departure from the more detailed analysis required on the face of the income statement under the statutory accounting rules, is necessary to provide a true and fair view as required under *ASC 205-20 Presentation of Financial Statements - Discontinued Operations*. As permitted by the Companies Act 2006, the consolidated balance sheet and statement of income formats have been adapted to comply with US GAAP.

The separate financial statements of the company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union and IFRIC interpretations and have been prepared in accordance with the historical cost convention.

The principal accounting policies applied in preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

### ***Going concern***

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of current market conditions and have concluded that the use of the going concern basis is appropriate. In coming to their conclusion, the directors have considered the financial position and cash requirements of the company for the period of 12 months from the date of signing of the financial statements.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the annual financial statements.

### ***Investments***

The company records its investments in subsidiary undertakings at cost, subject to any provision for impairment. For these purposes, the cost on initial recognition is the fair value of the subsidiary undertaking on the date of acquisition (see note 8).

### ***Share-based payments***

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is recorded in the financial statements on a straight-line basis over the vesting period, based on the group's estimate of equity instruments that will eventually vest. At each balance sheet date, the group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Share-based compensation for employees of the Company's subsidiaries is recognised as an investment in the subsidiary, unless this expense is recharged.

### ***Trade payables***

Payables are recognised initially at fair value and subsequently stated at amortised cost. The difference between the proceeds and the amount payable is recognised over the year of the payable using the effective interest method. There is no difference in the year between fair value and amortised costs.

### 3. Significant Accounting policies (continued)

#### *Foreign currencies*

The individual financial statements are presented in United States dollars. The U.S. dollar is the currency of the primary economic environment and the functional currency of the company. Transactions in currencies other than the U.S. dollar are recorded at the average exchange rates for the month, unless the exchange rate on the transaction date varies significantly from the average rate, in which case the rate at the transaction date is used. Assets and liabilities denominated in currencies other than the U.S. dollar are remeasured in U.S. dollars at the exchange rates prevailing on the balance sheet date. Exchange differences are recognised in profit or loss in the period in which they arise.

### 4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, involve the recoverability of the company's investment in subsidiary.

We evaluate the carrying value of our investment in subsidiaries whenever events or changes in circumstances indicate that their carrying values may not be recoverable. Impairment evaluations are, by nature, highly subjective. In most instances, they involve expectations of future cash flows to be generated by the group's offshore drilling rigs underlying the value of the company's investments in subsidiaries and are based on management's judgments and assumptions regarding future industry conditions and operations, as well as management's estimates of future expected utilization, contract rates, expense levels and capital requirements of our drilling rigs. The estimates, judgments and assumptions used by management in the application of our impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. The use of different estimates, judgments, assumptions and expectations regarding future industry conditions and operations would likely result in materially different asset carrying values and operating results.

During the year, management considered the recoverability of its investment in its subsidiary and believes that the carrying value of \$4.325 billion is recoverable.

### 5. Profit for the year

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. The company reported a profit for the financial year ended 31 December 2012 of \$33,650,817 (2011: loss of \$2,159,607).

### 6. Share-based payments

As a result of the redomestication process the existing share-based compensation schemes were transferred to the company from the date that it became the head of the Rowan group of companies. Further details on the various schemes in place are provided in note 8 to the consolidated statements of the Form 10-K included in the annual report.

**7. Auditors' remuneration**

The analysis of auditor remuneration is as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Fees payable to the company's auditor for the audit of the company's annual accounts	14,958	10,817

The auditors' remuneration for the group (both audit and non-audit fees) is disclosed on page 51 of the company's proxy statement included in the annual report.

**8. Significant subsidiaries**

The following were the company's significant subsidiaries at 31 December 2012:

<b>Company Name</b>	<b>Place of Incorporation</b>
Rowan No. 1 Limited	United Kingdom
Atlantic Maritime Services LLC	USA (Delaware)
RDC Arabia Drilling, Inc.	Cayman Islands
RDC Marine, Inc.	USA (Texas)
RDC Qatar, Inc.	USA (Delaware)
Rowan Companies, Inc.	USA (Delaware)
Rowan Deepwater Drilling (Gibraltar) Limited	Gibraltar
Rowan Drilling (Gibraltar) Limited	Gibraltar
Rowan Drilling (Trinidad) Limited	Cayman Islands
Rowan Gorilla V (Gibraltar) Limited	Gibraltar
Rowan Gorilla VII (Gibraltar) Limited	Gibraltar
Rowan Marine Services, Inc.	USA (Texas)
Rowan N-Class (Gibraltar) Limited	Gibraltar

All subsidiaries are 100% held.

The movement in the company's investment during the year was as follows:

	\$
Balance, 1 January 2012	-
Arising on redomestication (see note 8)	4,308,899,236
Capital contribution relating to share-based compensation recognized	16,365,869
Other	116,962
Balance, 31 December 2012	4,325,382,067

**9. Called up share capital**

	2012 No. of shares	2011 No. of shares
<b>Issued</b>		
Class A ordinary shares, par value, \$0.125 per share	124,740,407	150,000,000
Class B ordinary shares, par value, 1 GBP per share	50,000	1
	2012	2011
	\$	\$
<b>Issued and fully paid</b>		
Class A ordinary shares, par value, \$0.125 per share	15,592,551	18,750,000
Class B ordinary shares, par value, 1 GBP per share	78,900	-
	15,671,451	18,750,000

On 4 May 2012 (the "effective date"), the company became the successor issuer to Rowan Companies, Inc. pursuant to an agreement and plan of merger and reorganization (the "redomestication") approved by the stockholders of Rowan Companies, Inc. on 16 April 2012. As a result of the redomestication, Rowan Companies, Inc. became an indirect subsidiary of the company, and the company became the parent of the group of companies previously headed by Rowan Companies, Inc. In the redomestication, each stockholder of Rowan Companies, Inc. received one Class A ordinary share of the company for each share of Rowan Companies, Inc. held at the effective date. The company recorded a premium adjustment in the amount of \$4,308,899,236, which reflected the directors' estimate of the fair value of the company's wholly owned subsidiary acquired in the redomestication measured at the effective date. The fair value took into consideration the market capitalization of the group at the effective date.

In connection with the redomestication, the company issued 50,000 Class B ordinary shares to Rowan Companies, Inc. for one GBP per share, which was equivalent to \$78,900 at the time of the transaction.

**10. Trade and other payables**

	2012 \$	2011 \$
Trade creditors and accruals	1,278,097	730,439
Amounts due to subsidiary undertakings	6,213,518	1,150,947
Taxation	-	340
	7,491,615	1,881,726

Amounts due to subsidiary undertakings at 31 December 2012 and 2011 were almost entirely due to Rowan Companies, Inc,

**11. Financial assets and liabilities**

The company's cash and cash equivalents consisted of certificates of deposits and short term bank deposits with an original maturity of three months or less. Miscellaneous receivables consist of receivables for U.K. VAT. Financial liabilities consist of trade creditors and amounts due to subsidiary undertakings carried at amortized cost. The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

***Liquidity and interest risk***

All of the company's receivables and payables are non-interest bearing and are due or payable within one year.

The risk management policies employed by the company to manage these risks are discussed below. The primary objective of the financial instrument risk management function is to establish risk limits, and then ensure that exposure to risks stay within these limits.

***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company does not have significant exposure to credit risk as it does not have any trade receivables, and only trades with its subsidiaries.

***Market risk***

The company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The company's policy is to maintain natural hedges, where possible, by matching revenue and receipts with expenditures. During the year the company had limited exposure to Pounds Sterling (GBP). Due to the limited foreign currency exposure, management believes that movements in exchange rates would not have a material effect on the carrying values of assets and liabilities.

***Capital risk management***

The group manages its capital to ensure that the group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2011. The capital structure of the group consists of net debt, which includes the borrowings disclosed in note 5 to financial statements of Form 10-K in the enclosed annual report after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings. Restrictive provisions in the Company's debt agreements require the Company to maintain a minimum level of shareholders' equity equal to no less than the 100% of the book value of outstanding debt.

**12. Related party transactions**

Other than the directors, who represent the company's key management personnel, the company has no employees. Certain support services are provided by Rowan Companies, Inc. to the company at cost plus 3.17 %. For 2012, such charges totalled \$15,422,137 (2011: nil).

During 2012, the company and Rowan Companies, Inc. entered into agreements providing for, among other things, the full, unconditional and irrevocable guarantee by the company of the prompt payment, when due, of any amount owed by Rowan Companies, Inc. under its Senior Notes (see Note 15 to the consolidated financial statements included in the company's Annual Report on Form 10-K) and under the \$750 million revolving credit facility. The company charges Rowan Companies, Inc. a guarantee fee at an annual rate of one-half of one percent of the outstanding balance of the Senior Notes and amounts outstanding under the revolving credit facility, if any. Such guarantee fee totaled \$4,916,667 in 2012.

Details of directors' emoluments are provided on pages B-3 to B-7 of Annex B of the proxy statement included within this annual report. The following other transactions were carried out with related parties:

	<u>2012</u>	<u>2011</u>
	\$	\$
Share capital issued to Rowan Companies, Inc.	78,900	18,750,000
Additional capital contribution from Rowan Companies, Inc.	-	3,000,000
	<u>78,900</u>	<u>21,750,000</u>

**13. Reconciliation of operating income (loss) to operating cash flows**

	<u>2012</u>	<u>2011</u>
	\$	\$
Operating income (loss)	33,650,817	(2,160,575)
Change in working capital	<u>(56,647,100)</u>	<u>1,881,386</u>
Net cash outflow from operating activities	<u>(22,996,283)</u>	<u>(279,189)</u>

All cash flows are generated from continuing operations.

In 2012, the company acquired its 100% investment in Rowan No. 1 Limited from a subsidiary in a share-for-share exchange and recorded the carrying value of its investment at \$4,308,899,236.